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Venezuela
Sugar
Annual
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Report Highlights:
Venezuela's sugar production is insufficient and demand is met largely by imports of raw sugar. Post does not forecast an increase in production by the private sector due to a combination of controlled prices at the retail level and increasing costs of production.

However, since 1999 the government's production policy is to provide financing to sugar cane plantings, build a mill and establish a state-owned company that will oversee purchasing, marketing and trade of sugar cane and all by-products. This new company "CVA-Azucar" was created in March 2005. The mill is still being built.

On the trade side, while raw sugar imports will continue in the near future, the government's trading company is carrying more and more imports of packaged refined sugar.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Caracas [VE1]
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Table of Contents

Executive Summary

Venezuela's sugar production does not meet domestic demand. The major constraint that the private sector faces for developing the sugar industry is the controlled-price for refined sugar, followed by the increasing costs of production. Imports of raw sugar are forecast to continue in order to keep up with demand. In addition, refined sugar imports carried out through the state-trading enterprise, CASA, are growing. At the same time, government production policies are aimed to finance cane plantings, provide technical support and build new sugar mills. In March 2005, the Government of Venezuela (GOV) established the "CVA-Azucar" company. The company's duties will include overseeing the purchasing, milling, marketing, as well as the importing and exporting of all sugar cane, refined sugar and by-products.

PRODUCTION

Over the last five years, domestic production has accounted for 60 to 70 percent of sugar demand. Sugar production increased between 8 to 10 percent in 2004/05 as compared to 2003/04. The forecast for sugar production in 2005/06 is to remain stable as compared to the previous year. Venezuela benefits from having appropriate weather, extensive lots of land for sugar cane plantings and two well-defined crop seasons (the major season takes place between November and April; followed by a smaller crop that is harvested between June and October) yet production is insufficient to meet domestic demand.

Independent farmers, owners of small to medium size land-lots, carry out most cane plantings. The opportunities of increasing yields and sugar content by these farmers are limited because only millers have the capability of offering technical support to cane growers. Most sugar mills are in private hands.

While further increases in area planted to sugar cane should have a positive impact on production, the Government of Venezuela (GOV) policy of controlled price for refined sugar and increasing costs of production severely limit the appeal to farmers and millers to increase plantings and sugar refining on their own (see Price section).

POLICY

Since the advent of the Chavez administration (1999) several promises to support the sugar industry have been made. In 1999, sugar was called “Rubro Bandera” or flag commodity, meaning that the administration had the intention of boosting the sugar sector by increasing area planted, expanding the availability of credit, building more sugar mills and providing technical services to improve cultivation practices. Later, in October 2000, the GOV signed an agreement with the Government of Cuba. The agreement states that Venezuela will provide petroleum and Cuba will provide technical assistance to the agricultural, tourism and recreation sectors of the Venezuelan economy. At that time, the local press announced details of the agreement with special emphasis on the agricultural sector. It was mentioned that three sugar mills would be built with the help of the Cubans (including feasibility studies and technical equipment, among others).

The building of a state-owned sugar mill in the central-western region of the country in the state of Barinas, “Complejo Agroindustrial Azucarero Ezequiel Zamora,” is yet not completed. Because the GOV financed approximately 2,000 hectares of cane plantings to be milled at the Zamora mill, it had to make arrangements with private sugar mills to receive this crop.

Despite the official plans to support sugar production, hardly any of its projects have materialized**.** The latest GOV announcement on 03/28/05 referred to the establishment of the state-owned company called “CVA-Azucar”. This state-owned company will coordinate, supervise, inspect and develop everything related to the purchasing, milling, marketing, as well as importing and exporting of sugar cane, refined sugar and its by-products.

The official government agricultural research entity, Instituto Nacional de Investigaciones Agropecuarias (National Agricultural Research Institute or INIA) is taking the lead on developing extension services. Basically, INIA will look for improving yields and sugar content through better cultivation practices and developing more productive and disease resistant varieties of sugar cane. Most recently, a Venezuelan delegation headed by INIA’s general manager attended the XXV Word Congress of Sugar Technicians in Guatemala. The intention was to develop a formal technical agreement between Venezuela’s INIA and Guatemala’s agricultural research entity (Instituto de Ciencia y Tecnologia Agropecuria or ICTA).

STOCKS

Millers, retailers and wholesalers are very cautious about keeping high inventory levels due to the fear of being accused of hoarding by the authorities. Yearly, the possibilities of spot shortages exist and strongly depend on the GOV's timely issuance of import licenses, rather than on the domestic sugar production output. However, as the government's ability to import refined sugar seems to improve, spot-shortages are not expected in the short term.

CONSUMPTION

Total consumption is projected to slightly increase in 2005/06 as compared with 2004/05 because the retail prices of sugar and sugar-containing products have been kept artificially low by controlled domestic refined sugar prices.

Two-thirds of the sugar consumed in Venezuela goes to household consumption, with the rest is used by the soft drink industry and manufacturers of products that have a significant sugar content, such as cookies, crackers, and confectionery products. Consumption of soft drinks has increased as a result of higher prices for fruits juices and non-alcoholic beverages that are not under price controls. The Venezuelan soft drink industry generally uses 100% sugar without any fructose or other sweetener for its non-diet beverages. Companies like Coca-Cola, Pepsi-Cola, and Nestle (the country's most important cookie manufacturer) have large investments in the country.

Prices

Retail prices for refined sugar have been under price control by the government since February 2003. Retail prices are subject to the recommendations of the National Sugar Cane board (Junta Nacional de la Caña de Azúcar). In November 2004, cane growers' and millers' associations, the agricultural board of trade and government representatives-- all members of the National Sugar Cane Board -- recommended an increase of the sugar retail price to Bs. 1,300 per kilo, in order to keep pace with inflation and costs of production. Most price recommendations have not been accepted by the GOV, which only decreed an increase to the 2-kilo bag presentation.

Grower prices are negotiated by the Venezuelan sugar cane growers' association (FESOCA) with the two sugar miller's association, Venezuelan Sugar Producers Association (UPAVE) and Venezuelan Sugar Producers and Refiners Association (VENAZUCAR). Approximately 40 percent of the retail price goes to the growers. Mills pay on sugar content basis, with adjustments provided if retail sugar prices increase.

Venezuela's Retail Prices for Refined Sugar (In Bolivars)

Presentation	2/11/2003	4/15/2004	11/11/2004
2 kilo	1,700	1,955	2,050
1 kilo	900	1,035	No change
900 grams	800	920	No change
800 grams	700	805	No change

Note: As of early 2005 the exchange rate is 2,150 Bolivars to 1 $U.S.

TRADE

Most sugar is imported raw, as there is sufficient refining capacity in the country. Trade is affected by a tight policy of import licenses and trade agreements between Venezuela and Latin American countries, which provide preferential tariff rates and seasonal imports. The majority of imports arrive between September and November of each year.

While neighboring Colombia continues to be Venezuela's major sugar supplier, since 2004 Bolivia emerged as the newest supplier in this market. In January 2005, a Bolivian-Venezuelan Chamber of Commerce was created in order to support further imports of sugar, soybeans and beef. The chamber is scheduling a trade mission to Santa Cruz, Bolivia for mid-year. Other traditional sugar suppliers are Cuba, Guatemala and Brazil.

The government state trading company, CASA, imports refined sugar on packages ready for to retail. Official data is not available, but sources indicate that CASA imported more than 20,000 tons of sugar in 2004 as compared to the 17,000 tons during 2003. The CASA imports mainly go to supply the government network of food distribution stores, Mercal.

Tariff Changes

Raw and refined sugar coming from the Andean Community enters Venezuela duty free. Bilateral agreements signed between Venezuela and Guatemala, Nicaragua and El Salvador also gives sugar from these countries duty-free entry.

The present base tariff on sugar is 15 percent ad valorem calculated on the CIF price basis. Sugar is included in the Andean Community price-band variable-levy system. This tariff system was implemented by Venezuela for sugar and several other agricultural products in September 1995. The base tariff is raised if the CIF price is below a floor price, and lowered if prices surpass a ceiling price. White and refined sugars have different prices within the price band system. Floor and ceiling prices are based on average prices for white sugar; contract No. 5 FOB London, during the last five years.

Tariff Exoneration

Since 2003, the Venezuelan government provided total tariff and tax exoneration for sugar imports (HS 1701.11.90) citing food security concerns as a consequence of the two-month national strike. Importers must first obtain a certificate of insufficient domestic production, issued by the Ministry of Agriculture and Lands, before they are eligible to receive the exoneration. This measure has been renewed every six months and is currently valid until June 2005.

Tariff Rate Quota

The GOV controls sugar imports through an import license regime, but as the government started to import directly, the issuance of licenses to the private sector has been erratic. Since 1999, the GOV has applied a tariff rate quota (TRQ) for 132,013 tons of sugar with a tariff rate of 40 percent. This is renewed on a yearly basis. The GOV has extended the validity of the TRQ until October 2005.

The TRQ is allocated through an import license regime specified in an Official Notice published in a local newspaper. Import licenses are awarded to mills based on the percentage of sugar cane received and milled.

PSD TABLES

Venezuela Sugar, Centrifugal							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		09/2003		09/2004		09/2005	MM/YYYY
Beginning Stocks	267	267	222	225	0	220	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	550	550	550	600	0	600	(1000 MT)
TOTAL Sugar Production	550	550	550	600	0	600	(1000 MT)
Raw Imports	250	235	240	240	0	250	(1000 MT)
Refined Imp.(Raw Val)	20	25	20	20	0	20	(1000 MT)
TOTAL Imports	270	260	260	260	0	270	(1000 MT)
TOTAL SUPPLY	1087	1077	1032	1085	0	1090	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	20	7	45	5	0	5	(1000 MT)
TOTAL EXPORTS	20	7	45	5	0	5	(1000 MT)
Human Dom. Consumption	840	840	840	855	0	860	(1000 MT)
Other Disappearance	5	5	5	5	0	5	(1000 MT)
Total Disappearance	845	845	845	860	0	865	(1000 MT)
Ending Stocks	222	225	142	220	0	220	(1000 MT)
TOTAL DISTRIBUTION	1087	1077	1032	1085	0	1090	(1000 MT)

Venezuela Sugar Cane for Centrifugal							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		09/2003		09/2004		09/2005	MM/YYYY
Area Planted	0	107	0	115	0	115	(1000 HA)
Area Harvested	0	107	0	115	0	115	(1000 HA)
Production	0	6875	0	6880	0	6880	(1000 MT)
TOTAL SUPPLY	0	6875	0	6880	0	6880	(1000 MT)
Utilization for Sugar	0	6875	0	6880	0	6880	(1000 MT)
Utilizatn for Alcohol	0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION	0	6875	0	6880	0	6880	(1000 MT)

TRADE MATRIX

Venezuela Sugar, Centrifugal			
Time Period	**Sep / Aug**	Units:	1,000 tons
Imports for:	**2003**		**2004**
U.S.	14	U.S.	0
Others		Others	
Bolivia	5	Colombia	223
Brazil	4	Bolivia	11
Colombia	124		
Cuba	5		
Guatemala	6		
Total for Others	144		234
Others not Listed	12		1
Grand Total	**170**		**235**